

Blackstar Group Plc

("Blackstar" or the "Company")

Portfolio Update and Real Estate Acquisition

Portfolio Update

Since the release of the Company's interim results for the half year ended 30 June 2010 (on 21 September 2010) (the "Interim Results"), Blackstar's investment in Litha Healthcare Group Limited ("Litha") has shown a material increase in value due to the 68% increase in the Litha share price to 200 cents per share as at 21 October 2010 from 119 cents per share as at 30 June 2010.

The increase in the Litha share price equates to an increase in value attributable to Blackstar of £11.5 million on a pro-forma basis and values Blackstar's current investment in Litha at £26.6 million at 21 October 2010 compared to £15.1 million at 30 June 2010.

The remainder of the portfolio is performing in line with management's expectations.

Real Estate Acquisition

As part of the internalisation of Blackstar's investment advisory arrangements that was concluded in June 2009, Andrew Bonamour, a Director of the Company, entered into a service agreement whereby it was agreed that he would not compete directly or indirectly with the Company. In his service agreement, Mr. Bonamour disclosed that he had an indirect exposure to certain South African property investments (the "Property Assets") and at the time these investments did not compete directly with Blackstar.

However, as disclosed in the Interim Results, Blackstar has since formed a 100% held subsidiary, Blackstar Real Estate (Pty) Limited ("BRE"), with the objective of acquiring properties held by its subsidiaries on a sale and lease back basis, as well as exploring other opportunities for BRE in the South African real estate sector that may arise as a result of the prevailing economic conditions and where the Board of Blackstar (the "Board") believes attractive deals can be structured.

Accordingly, the Board of Blackstar believe that it is in the best interests of the Company for the Property Assets, which are 100% beneficially owned by Cloudbreak Properties (Pty) Ltd ("Cloudbreak"), to be acquired by BRE at the original cost to Cloudbreak of R3,000,000. Investec Bank Limited was appointed on behalf of the Board to prepare an independent valuation on the Property Assets and they reported that the current fair value of the Cloudbreak assets was R3,359,214.

As a result, the Board of Blackstar has entered into an agreement whereby BRE will acquire the Property Assets from Cloudbreak (the "Acquisition"). The consideration for the Acquisition will be R3,000,000 (£274,000) which will be funded from Blackstar's existing cash resources. The Property Assets consist of two properties: a 57.5% interest in a retail outlet in Kwa-Zulu Natal which is the dominant regional retail centre in the town of Richmond with the majority of its tenants having a national footprint; and a 25% interest in a plot of industrial development land in Kwa-Zulu Natal

which is adjacent to the newly built King Shaka International Airport. Given its proximity to the airport (the second largest in South Africa) and the Port of Durban (the largest port in Africa), the Board believes that this second site is extremely well positioned for potential industrial tenants.

Following the Acquisition, BRE now holds an interest in four properties, offering Blackstar exposure to the South African retail, industrial and development real estate sectors.

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